

The political rationalities of regionalism: APEC and the EU in comparative perspective¹

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Abstract

The essay is a comparative analysis of APEC and the EU, which looks at the particular sorts of economic orders these institutions are helping to create. It is argued that the two regions display some noteworthy differences that result from different approaches to the problem of economic governance. These differences reflect much more than the relative degree and level of regional institutionalisation; they flow from different 'political rationalities' that are themselves a function of the very different liberal and illiberal polities in Europe and East Asia. Our key theoretical innovation is to use the framework of political rationality to explain different regional approaches to economic governance; more specifically we argue that the EU and the East Asian members of APEC may be understood as respectively subscribing to broadly conceived liberal and cameralist approaches to economic governance which are in turn reflected in the design of regional institutions.

Key words: APEC; the European Union; political rationalities; liberalism; cameralism; institutions; regionalism.

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Introduction

While it is far too soon to judge what the long-term implications of the recent economic crisis in East Asia may be, the short-term impact of the turmoil has been to generate renewed interest in the region's distinctive political, economic and social structures. The problems of the East Asian region serve to highlight how distinctive some of its key institutions are, and how they differ from those of North America or Europe. Clearly, the East Asian model of regionalism as evidenced in the formation and operation of the Asia Pacific Economic Cooperation (APEC) forum differs considerably from the European Union (EU) model. In comparison with the EU, the APEC forum faces a much more complex, fractured, diverse political and economic regional environment. In what follows, we examine the nature of the differences between 'European' and 'Asian' forms of regionalism with a view to contributing to the development of a comparative regionalism. Although we do not attempt any detailed prognostications about the future of either region, we argue that East Asia's development—about which there is currently so much speculation—will necessarily reflect current political and economic structures.

To develop our comparative analysis of the EU and APEC we employ two key conceptual tools. The first is relatively uncontroversial, well established and draws upon various forms of institutional theory. The second—political rationality—has previously been employed primarily in post-structural and sociological writing and is not as yet widely influential in political economy but is, nevertheless, a useful adjunct to contemporary theorisation.

We shall begin our theoretical scene-setting by first noting two important features of regional institutions. First, while the type or extent of institutionalisation is no doubt an important source of variation in regional forms, the emphasis on institutionalisation as the dominant explanation of regional diversity betrays the influence of the EU model of regional governance on theorising. Implicit in this uni-modal evolutionary conception is the notion that the EU represents the end point of institutional processes at the regional level. In contrast, the argument proposed in this paper is that institutionalisation masks deep-seated differences in patterns of regional governance; the extent of institutionalisation is a *manifestation*—not an explanation—of these differences. Our argument is that regional dynamics are embedded in broader political and economic contexts and that these are likely to produce different trajectories of regionalism in

‘Asia’ and ‘Europe’.

The second point to make is that East Asia and Europe are characterised by very different levels of what Amin and Thrift (1994:14) call ‘institutional thickness’. This concept refers to the number, variety and inter-connectedness of institutions that exist within a nation or region, and also to the ‘social atmosphere’ that pervades them. Importantly, institutional thickness directs attention to process rather than simply to structure, and is suggestive of commonalities of practices and values that underpin the pursuit of national or regional purposes. We shall argue that the EU has been able to govern ‘at a distance’ partly because this reflected a normative preference for the more untrammelled operation of market mechanisms, but also because this process was facilitated by the existence of a rich infrastructure of non-state institutions at the trans- and sub-national level, which in turn reflect the dominance of liberal norms and practices. In East Asia, by contrast, not only is this institutional infrastructure of non-state policy communities and non-governmental agencies less developed, but there is also much less enthusiasm for undirected market activities *per se*. Furthermore, the nexus between the private and public sectors in East Asia means that the creation of markets regarded as a highly politicised process directly connected to individual governments; furthermore, this implies that any diminution of this contingent relationship poses a direct threat to the existent political order and its associated distributional coalitions.

These broadly different processes and degrees of institutionalisation have led to, and permitted, distinctive approaches to governance. In particular, it is argued that the development of the EU and APEC has been informed by distinctive ‘political rationalities’, leading to different agendas, norms, and practices within the two bodies. Although the prevailing political rationalities are the subject of contestation—especially, but not exclusively, within APEC—there are sufficient emerging commonalities of approach within both organisations to make such a broad brush distinction meaningful. In what follows, we shall demonstrate how distinctive political rationalities have provided templates for institutional development in the EU and APEC and—equally importantly—informed highly distinctive approaches to the problems of economic governance in Europe and the East Asian region in particular. We shall argue that our approach allows us to not only suggest why different approaches prevail within regions, but also why competing political rationalities are likely to prove contentious within a

trans-regional institution like APEC.

In the first part of the paper we develop a theoretical framework within which to situate the subsequent discussion of the EU and APEC. We conclude by attempting to draw out the theoretical implications of our analysis and consider what they may tell us about future regional institutionalisation in Europe and the Asia-Pacific.

Political Rationalities

Given the greater political and economic interaction between individual nation states in the contemporary era, the development of trans-national institutional structures external to the state with which to manage such relationships is perhaps unsurprising. Indeed, an influential strand of predominantly North American scholarship suggests that increased international cooperation is both functionally necessary and highly rational (Keohane 1984). There is, however, an implicit, normative teleology and Eurocentrism in this view which obscures important regional variations in the development of transnational or multilateral institutions; it is important to emphasise at the outset that there is no inevitability about precisely which principles will underpin any transnational body. On the contrary, the overarching rules, principles, and approaches to political and economic governance that any putative international institution embodies will be the product of contestation and reflect contingent political realities. A useful way of thinking about both the specificity of national political practice *and* the construction of an overarching transnational regime is to consider them as reflective of, and contributing to, distinctive political rationalities.

Rose and Miller (1992) suggest that there are three major components of political rationalities. First, political rationalities have a ‘moral’ form which defines both ‘the fitting powers and duties for authorities’. Rose and Miller consider that such a formulation could be applied to a range of authorities—spiritual, military, pedagogic and familial—but it is principally *political* authority with which we are concerned. The moral component of a political rationality helps determine the principles upon which governmental authority is exercised, and the aims and objects to which it is directed. In short, it determines the principles upon which power is exercised and the legitimacy of authority. The second component of political rationality is its ‘epistemological’ character, or the predominant understanding of the objects to be governed. One of the key debates highlighted, but not confined to the Asia Pacific, centres on questions about

the most appropriate and effective forms of capitalist organisation. This is not something restricted simply to the moral aspect of a political rationality, but also concerns the way the objects of governance themselves are understood. While this is frequently presented as a ‘technical’ debate about the relative efficiency of competing forms of economic organisation, it is, as we shall see, deeply bound up with questions of political legitimacy and authority, and the economy itself as an object of governance. Hence, the third characteristic of a political rationality—its rhetorical or discursive aspect—is especially critical, as it provides ‘a kind of apparatus for rendering reality thinkable in such a way that it is amenable to political deliberations’ (Rose & Miller: 1992: 179).

We suggest that the EU and the East Asian members of APEC may be understood as respectively subscribing to broadly conceived liberal and cameralist approaches to economic governance. Liberal and cameralist constitutions of the economy can be understood using the classifications developed above in terms of differences in moral purpose, epistemology, and discourse:

- i) *Moral purpose.* Within a liberal framework the market is identified with the freedom and rationality of the individual, whereas within a cameralist framework the market is identified with the goals and objectives of state security.
- ii) *Epistemology.* Within a liberal political rationality the *individual* and his or her interest is the object of regulation. Therefore, for a market to be constituted individual interests must be given juridical or constitutional form, whereas within a cameralist framework it is the well being and welfare of the *general population* that is object of regulation; in the other words, the market is an instrument serving the welfare of the ‘population’.
- iii) *Discourse.* Within a liberal framework arguments for regional markets are generally framed in terms of liberalising and ‘freeing up’ economic processes, whereas within a cameralist framework arguments for regional markets are often framed in terms of their ability to contribute to *national* development and to provide security.

The great advantage of the notion of political rationality as a heuristic model for the understanding of patterns of regional integration lies in its recognition of the implicit normative principles, codes, and assumptions that often underpin highly technical programs of economic governance. As Rose (1988) observes, before an economy can be managed it is necessary to conceptualise it as a set of processes and social relationships that are amenable to management. The political rationality approach may help us to

understand why different discourses and techniques of economic management emerge by examining the:

political, institutional and conceptual conditions which give rise to the formulation of different notions of the economy, the ways in which different groupings come to hold specific economic beliefs, and the consequences of the economic exigencies which have been adopted in economic activity and policy (Rose 1988: 181–2).

The notion of political rationalities has hitherto been used almost exclusively in a European context. By extending the usage of political rationalities and attempting to identify other non-Western exemplars, we may facilitate comparative analysis and simultaneously provide a more nuanced account of the European experience. Our own understanding of the concept of the political rationality approach, and the principal conceptual tool underpinning the subsequent analysis is as follows: a political rationality refers to *an approach to the problem of economic and political governance, informed by contingent political forces and economic practices, which reflects and determines norms, directs state purposes, constitutes objects of regulation, and which is mediated by local institutional infrastructure.*

The argument of this paper, and indeed the strength of the political rationality perspective, is that while economic integration may often be couched in neo-liberal terms, its method of application, its instruments, its normative assumptions, and its mode of governance, may differ considerably between regions. Indeed the crux of our argument is that mundane or highly technical aspects of economic liberalisation serve to conceal variable assumptions about the mode and distribution of political power (or more generally, sovereignty), and the manner in which the market or ‘the economy’ is constituted. In fact, our argument is more specific: the economic orthodoxy of neo-liberal programs is embedded in distinctive forms of political rationality, and therefore the methods and modes of economic regulation, even within a broadly neo-liberal and deregulatory agenda, will differ from one region to another.

In sum, European regional integration is moulded by a broadly *liberal* political rationality. Central to liberal modes of political rationality is the de-centring of sovereignty; power is exercised not directly, but through the invention of new forms and techniques of indirect regulation. The essence of a liberal political rationality is its capacity to direct at a distance. Liberalism, therefore, requires a repudiation of *raison d'état* as rationality of rule in which a sovereign exercises power across a given

territorial space. One way of understanding liberal notions of rule is to see its emergence as an accommodation between the competing political logic of sovereignty and the market.² As Burchell points out, ‘the objective of a liberal art of government becomes that of securing the conditions for the optimal and, as far as possible, autonomous functioning of economic processes within society or, as Foucault puts it, of enframing natural process in mechanisms of *security*’ (Burchell et al. 1991: 139). Our argument suggests that *European integration is an attempt to extend these liberal modes of political rationality to the regional level*. In effect, regional programs such as the Single European Market (SEM) seek to accommodate both the logic of security and economic liberty by the invention of indirect forms of economic regulation at the regional level. Central to this liberal process is the constitution of European regional economic space as an independent and autonomous arena of economic activity.

In East Asia, by contrast, market economies have been subordinate to the requirements and demands of the political logic of sovereignty or security. In many East Asian economies, ‘market making’ and ‘state making’ have been closely linked. Therefore, market processes have not been seen as autonomous or ‘natural’ processes but instruments for the consolidation of state power. In this context, Asian models of capitalism are characterised by the subsumption of markets to the political logic of security and order. The economy in this model is a specific but not an autonomous sphere or a form of rationality: it is an instrument that contributes to the strength of the state.

The European Union and Liberal Political Rationality.

Our **case study of the EU** is intended to demonstrate that the EU is embedded within a liberal political rationality. In particular, the liberal understanding of political reason has shaped the specific contours and organisational direction of the European Union as it has moved towards greater economic integration of product and financial markets. Programs of economic integration are not sets of abstract economic principles to be applied in a political vacuum; they need to be cast into specific shapes and forms by political rationality. Our argument is that this particular cast in the case of the EU is liberal, and more specifically, strongly influenced by the social market variant of liberalism. This influence is manifested in the following: first, in the move towards a single European market, which was strongly influenced by the social market or **ordoliberal** tradition of

German capitalism; second, in the pivotal role played by the principle of harmonisation and the consequent growth of regulation through policy networks which in turn is best understood within the framework of a liberal social market mode of rationality where associational governance has an important role. In brief, the argument is that one of the distinctive features of the single market economic program has been the development of a political infrastructure of regulation partly effected through policy networks which presuppose a set of liberal assumptions about political rule.

There can be little doubt that the single market program is designed along explicitly pro-competitive lines. Documents on the single market produced by the European Commission (EC) are full of the rhetoric of obstacles, impediments, and barriers to trade; the dominant theme in these documents is one of sweeping away the obstacles (or deregulation) to a more competitive pan-European economy (Thompson 1992). Of course, the impetus for economic integration came from a rapidly changing global economy which provided a set of incentives for both firms and states to pursue a more vigorous path of economic integration and cooperation. Foremost amongst these international pressures was the realisation that Europe was losing its technological and competitive edge to Japan and the US (Standholtz & Zysman & 1990). European policy makers assumed that the greater economies of scale produced by the single market would move some way towards rectifying Europe's competitive disadvantage vis a vis the US and Japan. Moreover, there was a belief amongst European policy makers that the single market would allow Europe more leverage for bargaining in international trade negotiations. These international political economy factors were clearly of great importance in propelling the move towards a European single market. Any comparative analysis of APEC and the EU has to concede the importance of these 'market conditions' in explaining the dynamics of regional economic co-operation. However, these factors impact differentially—globalisation theories notwithstanding—on the two regions: the move towards the single market in the EU was driven by the perceived need to *develop* a competitive advantage whereas regional economic co-operation within APEC—or, to be more precise, APEC's East Asian members—was driven by the perceived need to *maintain* a competitive advantage. Nevertheless, these international market factors only provide an understanding of the initial conditions of economic co-operation; they are not sufficient to explain the shape and form of this co-operation.

The hard economic logic of European co-operation may have had a distinct de-

regulatory resonance but its application was strongly influenced by the German social market tradition. This social market tradition stems from a group of jurists and economists who came to be known collectively as the *ordoliberalen* who played an intellectually influential role in the construction of the post war German economic state.³ For these theorists, the market is not a natural or spontaneous entity but a socially constructed economic form. Market structures are connected to the rest of society through complex juridical tissues. The implication to be drawn, therefore, is that it is incumbent on the government to strengthen these interconnected tissues in order to organise both society and the market. From this perspective, the markets need to be provided with a social and juridical infrastructure. Indeed, whereas ‘for the eighteenth century the formalism of law was a recipe for minimal intervention (*laissez-faire*, in its more passive sense), the *ordoliberalen* envisage an extensive juridical interventionism with a vocation to further the game of enterprise-form throughout the social fabric as its generalised principle of functioning’ (Gordon 1991: 42). This implicit recognition of the potentially corrosive influence of the ‘social body’ on the economic market clearly differentiates this social market liberalism from Anglo-Saxon variants.

The extent to which the social market tradition has influenced the actual development of the post war German economy has been the subject of much debate (Dumke 1990). However, it is clear that a range of institutional mechanisms have been developed to facilitate the construction of a social political infrastructure for the German economy. There has been a hesitancy on the part of successive German governments to directly manage, intervene, or regulate, this social infrastructure; rather, they have relied on the development of far reaching associational networks to manage social institutions that regulate the German economy. This associational governance or management often takes the form of publicly mandated associations bargaining over a range of economic and social issues. The outcomes of these negotiations are given frequently legally binding status. Indeed, associations are commonly delegated quasi public functions and have clear juridical standing within public law. For example, these ‘publicly mandated associations’ often encourage product specialisation by promoting high quality standards; similarly, employer and trade union associations prevent low wage competition by negotiating industry wide wage standards which are legally binding. Perhaps, the most important element of the German model of associational management is the system of dual training which is provided and managed by firms, labour, and the

state, with the aim of enabling the constant development of a high technical skill base in manufacturing industry. The associational management of the political and economic infrastructure of the German market has been one of the distinctive elements of the social market tradition.

From this analysis it is possible to identify two major elements of the German social market tradition: one is the deep interconnection between the institutional mechanism of social regulation and the effective functioning of the market economy; and the other, the social infrastructure managed through a form of associational governance. These two liberal presuppositions (though of a social market variety) have deeply influenced the shape and form of European integration.

The move towards the European single market has, therefore, been heavily influenced by the notion that economic integration must proceed parallel to the development of a social Europe. For example, the social charter of the EU is not to be considered in isolation from the single market, but as part and parcel of the single process of European integration. In other words, the development of social Europe is seen as complementary to the development of 'economic' Europe. Therefore, while the economic analysis of the Commission takes a strongly liberal economic perspective on the virtues of economic competition, this is often accompanied by appeals for social solidarity and cohesion. In effect, market programs are often qualified by a '... neo-corporatist desire for social cohesion, order and solidarity. And this latter position is not one that just pertains to the European "social dimensions"; it pervades the Commission's general pronouncements about the economy as much as about social policy, broadly conceived' Thompson (1992: 141). Market programs, therefore, are not just a set of abstract principles about the benefits of deregulation or the benefits of economic competition, but are framed within a more general background of political rationality.

Associational Regulation.

A vital principle of the community's move towards a single market has been the notion of 'harmonisation', the economic logic of which implies that there should be a common regulatory minimum within the European community. In conjunction with this economic logic a parallel *political logic* of harmonisation has seen the emergence of an associational and regulatory mode of economic governance; these modes of economic management are central to the deregulatory economic agenda of the EU and form a key

element in the armoury of liberal governmentality. Therefore, the economic and political logic of harmonisation leads to both a particular constitution of a 'European economic space' (1993)⁴ as well as a distinctive mode of network or associational regulation of this economic space. Of course, following the landmark European Court of Justice decision in 'Cassis de Dijon', there was a move away from traditional models of harmonisation towards the principle of 'national mutual recognition'. In effect—and the SEM program was the end product of this process—there was a determined attempt to build a common market on the basis of mutual recognition premised on the acceptance by states of a set of common core principles. This entailed more than a simple implementation of a package of deregulation because it required a fairly extensive economic and political program of economic convergence.

Economists have defined in detail the standards and criteria required for the convergence of European economic structures. The importance of these technical specifications for 'European economic markets' is to constitute a 'Europe wide space' as an autonomous and independent entity (Barry 1993). But—and this point is vital for our thesis—the economic logic of harmonisation and mutual recognition is itself a product of the application of a liberal mode of political rationality; behind the technical complexity of the European market institutions lie the invisible hand of political rationality.

It is possible to construe that the policies of harmonisation and mutual recognition as a part of a broader deregulatory agenda led by the European Commission. In effect this would be to argue that the Commission used the instrument of mutual recognition as a way of prising open national markets. However, this would be a misreading of the political consequences of the EU harmonisation model. Our contention is that the logic of the harmonisation model had been to create a distinctive European mode of regulation through transnational policy networks. It follows that particular patterns of economic order are unsustainable without the development of a parallel political infrastructure.

Joerges (1996) argues persuasively against an interpretation of the single market program and the case law of Article 30 and 36 (the free trade and respect for regulatory autonomy of individual states) as evidence of the jurisprudence of deregulation. Rather, he suggests that we need to acknowledge the effort of the European legal system to accommodate two incompatible objectives and to find a set of rules that allow for regulatory pluralism within the context of the framework of single market objectives. He argues that the court has established that 'it seems logical to infer from this ECJ's

(European Court of Justice) case law that no member state can defend its own low regulatory standards against a higher level of protection realised in a higher European standard' (Joerges 1996: 21–2). The process of deregulation, therefore, needs to be accompanied by an equally complex process of regulation. However, it is important to note that this process of regulation takes on a juridical or constitutional form.

Market deregulation, it appears, needs to be accompanied by the development of an effective system of regulation. Harmonisation or national recognition is not sufficient in itself to create free trade because important primary powers such as health and safety remain the prerogative of member states. For example, free trade in food may lead to the adoption by member states of the lowest regulatory safety minimum rather than one that provides the most effective standards of risk immunisation for European citizens. Myriad other examples can be found; for instance, free trade in pharmaceuticals requires uniformity in medical standards. In other words, the single market program revealed the existence of regulatory gaps that demanded intervention by the EU with a degree of constitutional reinforcement by the ECJ (Majone 1996).

This argument would suggest that the implementation of the EU directives necessitates the extensive regulation and monitoring of the market. For example, Kreher (1997: 241) discussing the role of agencies in the EU, notes that their establishment is an 'instrument of coordinated and supervised monitoring and execution which flows from, and is a direct consequence of, the earlier political decision construct a European edifice primarily regulated by community legislation'. Whatever form this regulation takes it is distinguished by deep and complex vertical and horizontal linkages between private and public actors. A common feature of the regulatory state in the EU seems to be the development of these collaborative linkages between key state and non-state actors in the EU. In brief, the regulatory state in the EU has taken the form of governance thorough associational networks or policy networks.

Policy Networks

In the absence of a supranational option, the regulatory state in the EU has been controlled, in part, thorough a system of policy networks. A useful concept with which to understand the nature and dynamics of this regulation through policy networks is the idea of 'interlocking politics' (see Lehmbruch 1989) initially used to analyse the distinctive features of German federal politics. Interlocking politics refers to the vertical

and horizontal linkages between state and non-state actors, that increasingly characterise policy making in many complex polities. The crucial point about these networks is the participation of a range of state and non-state actors. Studies of the EU demonstrate that governance or regulation through policy networks is increasingly the preferred form of regulation. Indeed as Risse-Kappen notes, governance through policy networks is particularly pronounced in those areas or issues regulated by EU policies. He goes on to note that ‘the more a particular policy sector has been integrated and the more decisions in the area are governed by majority rule, the more likely it is that the policy-making process is characterised by transnational and transgovernmental coalitions among private, subnational, and supranational actors rather than intergovernmental bargaining.’ (Risse-Kappen 1996: 66). In this context particular emphasis needs to be put on the so called ‘comitology web’ which brings together various groups of national experts and officials in various sectors such as for example, foodstuffs, drugs, health, and safety, which are central to the regulation of the single market.⁵

Our basic contention is that these modes of governance by policy networks need to be understood in terms of the operation of a liberal political rationality. In part, the regulation of the European economy and polity through networks is analogous to the role of associations in the governance of the German social market. However, at a deeper level, policy networks reflect the importance of ‘direction at a distance’ so central to the liberal notion of political reason. A liberal view of government requires the separation of state and society manifested in the dichotomies between public and private and state and civil society. In other words, liberal political reason is not identified with the rationality of the ruler who in turn identifies with the state, but with the freedom and rationality of members of the political community. In this respect, ‘an essential and original feature of liberalism as a principle of governmental reason is that it pegs the rationality of government, of the exercise of political power, to the freedom and interested rationality of the governed themselves’ (Burchell 1991: 139).

The operation of policy networks is only possible within this framework of liberal political reason. First, policy networks, because they include both state and non-state actors, operate at a distance from political authorities. In effect, public authorities harness the energies of the public and private sector in the regulation of the single market. Consequently, the regulation of conduct—economic or otherwise—remains the responsibility and interest of actors outside of the state. Second, central to the operation

of liberal political reason in the context of the EU is the notion of the economy (and society to a lesser extent) as a natural entity which in turn presupposes the application of technical expertise to understand these autonomous processes. Policy networks operate to provide these forms of technical expertise and thereby serve to constitute the European economy or the single market as an independent and autonomous entity. This is an important point that has been given added impetus by recent decisions of the ECJ which might seem to suggest an attempt to provide a firmer legal basis for the network structures of the EU. For example, ECJ has held that in evaluating the potential 'risk' of national regulation, due regard needs to be paid to relevant scientific expertise, and particularly the findings of international experts and the expert committee of the EU. Moreover, ECJ case law suggests that in carrying out these regulatory tasks committees are asked to respect the rights of individual (see Joerges & Neyer 1997; Joerges 1996). In fact, recent jurisprudence of the ECJ has moved towards the constitutionalisation of a form of reflexive regulation which is consistent with the liberal effort to ground political rule—or in this case even the rule of technical experts—in the freedom and rationality (or interests) of European citizens. Teubner's (1983) notion of regulated autonomy where the state facilitates the development of self regulating systems based on the representation of group or collective private interests is particularly apposite in the study of the European regulatory state.

One of the strengths of the political rationality approach to the study of regional economic and political process, therefore, is that it enables us to recognise the fact that markets are embedded in deeper forms of political rationality. The implication of this argument is that the constitution of the European market as an autonomous natural entity is a product of the operation of a liberal political process. For example, our analysis reveals that the single market program and the associated deregulation of the European market runs in parallel with the establishment of an elaborate and sophisticated political infrastructure of economic regulation. In effect, without the construction of regulatory frameworks and the technical expertise embedded in policy networks, an autonomous and independent market in Western Europe would not be possible.

APEC and Illiberal Political Rationality

What is most striking about the 'APEC region', especially in comparison with the EU, is its heterogeneity. Although the differences between APEC's members are dramatically

revealed in the contrasts between, say, Japan and Papua New Guinea, or Canada and Indonesia, what is especially interesting here are the differing *and competing* political rationalities that APEC embraces. On the one hand the Anglo-American nations—the US, Canada, Australia and New Zealand—embrace a form of liberalism that is broadly similar to that of the EU. On the other, however, it is possible to identify a very different political rationality which, while having its roots in a distinctly East Asian tradition of state-led development, is reminiscent of eighteenth century German cameralism (Tribe 1984). Clearly, there are important differences in a contemporary East Asian context, but this broad brush distinction serves to highlight fundamentally differing governmental rationales. Unlike its European and Anglo-American counterparts, the East Asian approach to governance is predicated upon highly interventionist strategies, which not only consider such activities legitimate, but which generate and reflect different, structurally embedded relations between state, business, and the wider society of which they are a part. In an Asian context, the economy is generally a fundamental component in a comprehensive and all-encompassing conception of state security. APEC, therefore, must attempt to accommodate both an Anglo-American form of neo-liberalism that is closely aligned to the European model, *and* an Asian form of cameralism.

The story of APEC's development and rapid rise to prominence has by now been often enough told and need little repetition here (Funabashi 1996; Beeson 1995). What is worth re-emphasising, however, is that although increased economic interaction within East Asia and (especially) across the Pacific to North America made the development of some sort of regional forum with which to manage such relationships more likely, the precise form taken by any putative trans-regional organisation was unpredictable. Indeed, APEC represents a key site of contestation between 'Asian' and 'Western' governments keen on implementing their own, potentially incommensurate visions for APEC. In short, APEC is the location of an unfolding struggle to define a new transnational political rationality which will shape both the further institutionalisation of APEC itself, as well as the norms and practices that underpin regional patterns of economic governance.

Indeed, it is worth reiterating the point that regions themselves are contested concepts, and while the EU might appear a more 'natural' institutional reflection of Europe than does the APEC of the Asia Pacific, regions in general remain social constructions and liable to redefinition (Dirlik 1992). One of APEC's principal difficulties, and something

that sets it apart from the EU, is the lack of congruence between its membership and any obvious underpinning commonalities of social, political, or economic form amongst its members. Consequently, deciding quite what form APEC should take, and determining the extent of its institutional consolidation and authority over members, have become crucial issues, especially in an East Asian region which has little history of prior transnational institutionalisation. Further complicating this picture is the fact that the foreign policy of the United States during the Cold War, which imposed bilateral, rather than multilateral relations throughout the region, when combined with distinctive state structures and practices in Asia has meant that international institution building in the region was inherently more problematic (Katzenstein 1997).

An important consequence of the APEC region's historical development, therefore, is an absence of 'institutional thickness'. Unlike the EU, the APEC region does not have a vast number of institutions, agencies, and authorities that are either independent of or only loosely connected to individual states, at either the transnational *or* the national level. Neither has economic development inevitably led to an expansion of civil society (Rodan 1997), or to a concomitant deepening of non-state institutions. Consequently, the state is more directly involved in establishing structures of governance. Policy networks in the APEC region are, therefore, less developed, especially at the national level. This relative lack of trans-regional institutional deepening is reflective of, and helps account for, the absence of an overarching, region-wide system of governance. Not only is there no common, region-wide political rationality, but there is less capacity for one to be transmitted or institutionally embedded.

Economic and Political Institutionalisation in East Asia

APEC's Asian members are distinguished by a number of qualities that make transnational economic and especially political integration problematic. Not only do the political systems of East Asia display some noteworthy differences and deviations from the liberal democratic ideal, but they are also often tightly bound up with the distinctive patterns of capitalist organisation that characterise the region. Indeed, some of the binary oppositions which are central to 'Western' political theory—private versus public, state versus civil society—have a good deal less relevance in an East Asian setting. Nor is this simply an academic nicety. On the contrary, the interaction—or in some instances, the

fusion—of what may be broadly described as ‘state’ and ‘capital’ has been central to the trajectories of East Asian development, something that even the pro-market World Bank (1993: 6) has conceded. The intention here, however, is not to rehearse the somewhat sterile debates about the merits of states or markets as optimal determinants of economic outcomes. Rather, what we wish to emphasise is that the ‘developmental state’ approach pioneered by Japan and emulated to various degrees by successive generations of industrialising countries in the region has left structurally embedded distributional coalitions in its wake that are constitutive of distinctive, and often illiberal national political rationalities (Beeson 1996; Appelbaum & Henderson 1992; Wade 1990; Johnson 1982).

Given the difficulty the East Asian development model appears to be currently facing it might be expected that such economic practices and political relationships will quickly lose favour. However, there are embedded political relationships and economic structures, in which Japan remains a key actor, which make dramatic change unlikely. Japan is exerting an increasingly powerful influence, both directly through its economic links in Asia, and more subtly at the ideational level. Japan is not simply the dominant source of direct investment in the East Asian region; it also makes considerable contributions via its Official Development Assistance (Steven 1996). The coordinated utilisation of combined private and public finance has been central to the successful migration of Japanese companies into Asia. The most immediate manifestation of this process is the replication of Japan’s integrated *keiretsu* production networks across the region. A direct effect of the expansion of Japanese capital has been the establishment of close political ties within host nations, cementing the prominent position of Japanese-style capitalism (Hatch & Yamamura 1996).

Two further factors suggest Japan’s influence will not disappear rapidly. First, it is important not to confuse a banking or financial sector crisis with the performance of Japanese industrial corporations more generally: there is nothing to suggest that these will not remain competitive and central to the region’s economic and political infrastructure. Second, in the longer term, the influence of the Japanese model and its associated political relationships has been reinforced by Japan’s increasingly assertive position on the international stage. Japan’s economic weight means that it is inevitably assuming a more prominent and influential position in key international agencies, like the International Monetary Fund and the World Bank, which effectively govern

international commerce (Rapkin & Strand 1997; Wade 1996). It is quite possible that East Asia's economic difficulties will ultimately make the region less enamoured of unbridled neoliberalism and more determined to develop an 'Asian' response to such difficulties (Beeson 1997a).

The institutionally embedded economic structures and tight linkages that have developed between business and government in the region have, therefore, influenced the content of public policy and the overarching logic with which it has been shaped and legitimated. However, it is important to recognise that if the relationship between the public and private sectors is a good deal closer—not to say blurred—in countries like Japan, Taiwan and South Korea, then it is essentially meaningless in some of the third tier of developmental states. In Indonesia, for example, the Suharto family has exploited its political dominance to amass a vast fortune in which individual family members control a range of enterprises across the entire Indonesian economy, including property, banking, industry, telecoms, media and transport (Hiscock 1996). The distinction between the public and private sectors that underpins the European approach to governance is simply not applicable in an Indonesian context. Political control is maintained through a form of 'exclusionary corporatism' in which functionally determined interest groups are tightly bound into overarching state structures, which are reinforced by the state-sponsored ideology of 'Pancasila' and the dominant state-controlled political machine, Golkar (MacIntyre 1994).

In Malaysia, economic and political interests are similarly fused. The United Malays' National Organization (UMNO), which has dominated Malaysian politics since the race riots of 1969, is deeply involved in domestic economic activity. Economic development in Malaysia has been driven by the desire to promote indigenous 'Bumiputra' capitalists, resulting in a form of 'bureaucratic capitalism' in which state policy has been systematically designed to favour the interests of a well-connected élite and a range of companies directly controlled by UMNO itself (Gomez 1994). The point to stress here is that economic development is not a politically neutral exercise in which the role of government is reduced to merely providing the minimal framework within which market forces can operate. On the contrary, in countries like Indonesia and Malaysia, government is directly involved in economic activity and political élites are amongst the principal beneficiaries of the energy market economies. The developmental state approach not only requires a different ideological underpinning and rationality of

government, but it also leads to the institutionalisation of distributional coalitions that directly benefit from a specific pattern of governmental rule

Lest it be supposed that such deviations from a liberal approach to government are confined to those states that are more directly concerned with promoting economic development where the task of nation-building remains a more pressing, incompletely realised project, it is worth considering the case of Singapore. The response of the ruling People's Action Party (PAP) to dramatic rises in Singaporean income levels has been to expand the size of the state itself, and to develop new forms of 'political co-optation' (Rodan 1996). In other words, economic development has not inevitably led to an expansion of political space and the development of liberal-democracy, but to a more pervasive form of authoritarian corporatism. The Singaporean state, therefore, represents a form of governance which is neither liberal, nor at-a-distance. On the contrary, it exemplifies an extension of the cameralist logic of a developmental political rationality, in which 'the dominant and intrusive role of state power in most aspects of East and Southeast Asian life channels political change to serve the managerial and technocratic ends of the state' (Bell and Jayasuriya 1995:15). A central challenge for any trans-regional institutional forum, therefore, is to accommodate such fundamentally *illiberal* domestic political practices within its overarching framework.

APEC's Accommodating Architecture

If APEC was restricted to the nations of East Asia it might be expected to more easily reflect the integrated nature of political and economic practice in an encompassing regional political rationality. However, what distinguishes APEC and sets it apart from the EU in particular, is the collision of highly distinctive political and economic patterns of organisation, which in turn have generated divergent norms, values, and approaches to government. Indeed, the East Asian developmental and/or authoritarian states bear little resemblance to the idealised conception of the minimalist state and its concomitant self-regulating economic order that underpins the Anglo-American approach to government. In short, there is little replication of what Ruggie (1993: 172) calls the EU's 'multiperspectival polity', in which a number of viewpoints are constitutive of national and transnational identity.

In APEC, by contrast, the competing political rationalities of the region's Asian and Anglo-American members lead to some striking paradoxes. Central to the strategic

calculations of APEC's Asian members has been a desire to extend the 'ASEAN way', or the principles of negotiated consensus and non-interference in domestic affairs that have been cornerstones of this important regional sub-group's approach to transnational institution building (Leifer 1996). Indeed, the blueprint for APEC development authored by the Eminent Persons Group (EPG) specifically rejects the possibility of following the European model. Instead it suggests APEC

will not be a community in the sense of the EC—characterized by acceptance of the transfer of sovereignty, deep integration and extensive institutionalization. It will be a community in the popular [sic] sense of a 'big family' of like-minded economies—committed to friendship, cooperation and the removal of barriers to economic exchange among members in the interest of all (EPG 1994: 5).

This permissive approach has been incorporated into APEC's reformist discourses via the 'flexibility principle', which effectively allows members to renege on their trade liberalisation commitments if it is deemed necessary. Not only are APEC agreements consequently voluntary and non-binding, even more significantly, they allow the continuation of the sorts of state activism at the domestic level that has characterised East Asian economic development. East Asian governments, in other words, support the development of a non-interventionist transnational institutional framework, precisely because this is most likely to permit the continuation of existing 'interventionist' patterns of economic and political organisation. Indeed, the most recent APEC meeting in Vancouver revealed how impotent APEC was in comparison with the International Monetary Fund in attempting to deal with the grouping's first major crisis.

The position of the US exemplifies the very different approach of the Anglo-American nations. Somewhat paradoxically, the US is actively attempting to construct a legalistic, rules-based *international* regime, which imposes more binding commitments on APEC members, as a way of structuring individual *national* economies. In other words, US policy is almost a mirror image of the East Asian approach: government activism at the international level is driven by the desire to create a particular form of neo-liberal market order in which the state is less directly involved in the 'national' economy. However, while the withdrawal or minimisation of state's role in domestic economic regulation may have been rendered more feasible in the EU by the creation of the ESM, this is a more problematic exercise in APEC in general and East Asia in particular. As we have seen, powerful domestic political forces are directly involved in economic activity across

Asia, and are consequently deeply implicated in the construction of the specific economic orders that prevail within individual nations. The possible ceding of authority to APEC by individual nation states is therefore likely to be resisted in East Asia, especially where any transnational authority appeared capable of disrupting entrenched national distributional coalitions or threatening the essentially cameralist governmental rationality.

This is especially problematic for APEC as its reform agenda—indeed, APEC itself—owes much to the activities of various élite groups in government, business and academia (Woods 1993), who have provided both the ideas for, and a good deal of the impetus behind, an economic reform blueprint that bears the familiar hallmarks of the so-called ‘Washington Consensus’ of neoliberal reform (see Williamson 1994). APEC’s ‘action agenda’, is replete with measures designed to encourage greater ‘transparency’ in economic activities, and make competition a greater determinant of economic outcomes. While APEC’s institutional precursors—the Pacific Basin Economic Council, the Pacific Economic Cooperation Council, and the Pacific Trade and Development Conference—were clearly important venues in which regional élites could use international networks to promote particular ideas and develop shared understandings, as we have seen, there is significant resistance to wholesale neoliberal reform. At one level, this may be ascribed to the low levels of transnational institutionalisation in East Asia. As Higgott notes:

these ideas are not yet institutionalised – neither in the sense that they are embedded in norms and principles, nor in the sense that there has developed in the Asia Pacific a set of operating procedures and administrative agencies capable of providing a strong transmission belt between ideas and policy process (Higgott 1994: 371).

At a more fundamental level, however, the way international market pressures are mediated is taking a highly contingent form that makes thoroughgoing reform or the easy transmission of new ideas—especially where they have the potential to threaten the existing political and economic order—more difficult. In Malaysia, for example, Camroux (1994: 423) suggests that delegates to regional forums are essentially representatives of ‘Malaysia Incorporated’, rather than independent members of trans-regional policy networks. Similarly, in Singapore, participants in international and national policy institutes and forums are often little more than conduits for government propaganda (Jayasuriya 1994: 417). The point to make here is that the conceptual distinctions between government and economy, or state and civil society that underpin

the liberal political rationality are often not applicable in East Asia. Not only is the institutional infrastructure of policy networks outside the state which facilitate liberal governance in the EU not well established in Asia, but the economy itself as an object of governance is conceived very differently. There is a more organic relationship between state, economy, and population that feeds into and reflects a more encompassing notion of security. Consequently, East Asian states remain much more directly involved in economic activity generally and in determining the particular sort of market order that prevails within national boundaries.

The Persistence of Difference

In a region with little history of trans-national institutionalisation, in which integration has occurred principally at the economic level, and which has been driven by the private sector (Ravenhill 1995), it becomes easier to understand the attraction of the East Asian Economic Caucus (EAEC). If there is any intrinsic disposition toward regional integration, it is between those countries that are distinguished by a similar 'interventionist' political rationality, an affinity which is being reinforced by the activities of Japanese-based transnational companies and government assistance (Hatch & Yamamura 1996). In such a context, EAEC provides a more 'natural' expression of this tendency.

The lack of congruence or, as we are arguing, the competing political rationalities within the Asia Pacific region, help explain the ambiguous and contradictory discourse that accompanies APEC's reform agenda. The rather oxymoronic notion of 'open regionalism', which encourages unilateral liberalisation and an extension of APEC's benefits to other nations on either a conditional *or* an unconditional basis, is designed to accommodate the interests of both the interventionist East Asians and the US, the latter preferring liberalisation to occur on a reciprocal basis. There is more at stake here than arcane trade semantics, however. What the notion of open regionalism and associated inventions like 'concerted unilateralism' point to are fundamental differences about the way APEC should operate, which are themselves reflective of divergent governmental rationalities and conceptions of economic management. It is the desire to insulate such distinctive political practices and forms of economic organisation that accounts for APEC's voluntaristic and consensual approach. The political and economic space which APEC encompasses is not nearly as homogenous or self-contained as is the EU's. Consequently, there is even more reason to attempt to insulate domestic practices

through national or even sub-regional political structures like EAEC, which offer a degree of possible solidarity or mutual support. Significantly, the first post-crisis meeting of ASEAN leaders also included the leaders of China and Japan, giving de-facto expression to the EAEC grouping (Alford, 1997).

The potential importance of such factors was recently illustrated when the currencies of Southeast Asia came under sustained attack by international financial markets. Predictably, it was Malaysia's Mahathir that was at the forefront of articulating a response to this development. At one level Mahathir's comments could be read as simply an extension of the 'Asian values' debate, which claims that there are distinctive Asian cultural qualities that are different, and often superior to the West, and which need to be protected (see Robison 1996). In this context, the destabilisation of Southeast Asia's financial order could be—and was by Mahathir—taken as an attack on Asian autonomy and the right to self-determination (Beeson 1997b). What is significant for our purposes, however, is that at another level Mahathir's response is emblematic of a suspicion about market-enhancing neoliberal reforms which threaten to directly undermine a domestic economic order that is predicated on an illiberal political rationality.

The 'globalising' forces of which the financial markets are the archetypal exemplars are mediated in different ways within individual countries. While it may be difficult for the countries of East Asia to insulate themselves from a generalised pattern of international economic restructuring, the historically close relationship between government and business throughout East Asia means that the adjustment process will continue to be shaped by contingent national institutions. The liberalisation process so far has been mediated principally *within* states and manifest in a shifting balance of power between government officials and business groups (Jayasuriya 1995). More fundamentally, it has not generated either an inevitable expansion of political liberties or a necessary diminution of an illiberal political rationality.

When viewed through the theoretical framework provided by the political rationality approach, then, the contested nature of APEC's institutionalisation becomes more comprehensible. Indeed, the origins of the competition between different forms of capitalism and their concomitant patterns of economic, political, and social organisation throughout the 'Asia Pacific region' is revealed through this methodology. Capitalist development and the constitution of regions are neither unilinear nor teleological.

Moreover, there is no necessary relationship between markets and particular forms of political practice. In other words, the current trauma in East Asia notwithstanding, an illiberal political rationality may endure, even in a globalised economic order.

Concluding Remarks

A key contention of this paper is that an understanding of the dynamics of regional economic cooperation is informed and enriched by utilising the notion of political rationality. Given that mainstream approaches to the study of regional cooperation—be they realist or liberal institutionalist—often fail to appreciate the normative and ideological basis of regionalism, the notion of political rationality helps to clarify the context under which regional cooperation takes place. Indeed, much of the current debate over the respective virtues of realist as against institutionalist approaches to the study of regional cooperation fail to adequately recognise the fact that the concepts and tools of international relations are themselves the artefacts of specific understandings of state and society or models of political rationality. In other words, the conventional tool kit of the analyst of regional cooperation may prove to be inadequate for the analysis of the comparative dynamics of regional cooperation.

The importance of this claim can be seen in the context of East Asia. The constitution of economic space in East Asia, we have suggested, has been strongly shaped by cameralist forms of rationality. Central to cameralism is the provision of social order and the direction of policy towards the property and well being of the nation. As Burchell points out, this has a clear resonance with the Aristotelian theme of policy as ‘state house keeping’. However, cameralism moves beyond the notion of economy as housekeeping to suggest that it involves ‘the application of certain definite governmental techniques to defined populations for specific purposes’ (Burchell 1996: 4). From a cameralist perspective, the economy is not an autonomous arena but an instrument to be used to further the prosperity of the population which in turn is seen to be vital to the provision of social order and security. In effect, the economy is subordinate to the state-defined ends of security and order. It is the embeddedness of the economy within the matrix of these complex institutional interests which makes it difficult to constitute the economy as an arena independent of the state. In contrast to the idea of direction of distance, this notion of the economy renders it directly governable in the interests of security.

To put the matter somewhat differently and more provocatively, if there is an epochal

international shift toward a market order of the sort associated with neoliberalism, as some commentators have suggested (Gill 1995), then it is a neoliberal economic order that is realised in highly distinctive and contingent ways. While the policy documents and reformist agendas of both the EU and APEC may be replete with the technicist language and rationale of the professional economist, there are significant differences in the way such formulations are realised in the two organisations.

In East Asia, where the position of ruling élites is closely bound up with the existent economic structure, the possible constitution of markets beyond the state's influence as a self-regulating sphere, subject only to expert or technical management, is remote. Not only does the dense network of institutional infrastructure that permits government at a distance in the EU not exist in East Asia, but *such a transformation represents a direct threat to extant patterns of political and economic power*. Expectations about either the capacity of APEC or indeed any other regional forum to manage regional crises, or about the inevitability of profound political and economic change in the wake of such crises, may prove premature.

The strength of the political rationality approach to the comparative study of the process of regional economic integration is that it allows us to focus on not only the different modes of market governance, but on the manner in which the economic processes are constituted both at the domestic and regional level. Ideological and normative state traditions shape the very ethical architecture of the market economy, its normative presuppositions, its purposes and ends, and above all, its degree of autonomy from other social and political structures. In short, competing political rationalities are deeply implicated in the construction, legitimisation, and organisation of distinctive patterns of economic activity.

This general conclusion leads to an interesting paradox: states in East Asia intervene and govern economies directly at the state level, while at the same time these very same states are vehemently opposed to imposition of any regulation at the regional level. Katzenstein (1997) aptly describes this state of affairs as a form of regionalism in markets, rather than through formal institutions. While this is an accurate description of the absence of trans-regional institutionalisation in the East Asian region, the underlying reason for the lack of such a regulatory framework is the failure to constitute an independent arena of economic space outside of the state. This failure, in turn, can be traced back to the dominance of cameralist forms of political rationality in much of East

Asia.

By contrast, the political rationality perspective suggests that the European form of government at a distance is predicated upon very different assumptions and made possible by the existence of an extensive institutional infrastructure outside of the state. Central to this infrastructure is the strategy of regulation through policy networks that enables both the constitution and governance of interests at a regional or European level. Therefore the construction of an autonomous and independent market requires a parallel process that governs and directs the interests affected by this process of market building. Indeed, in the European context this has often taken the form of explicit juridical recognition of these non-state interests. There is, therefore, a direct, if opaque, link between a liberal political rationality and the constitution of an independent arena of economic space

Political rationalities, then, are a reflection of the contingent political forces, institutional structures and discursive practices that inform policymaking and, ultimately, attitudes to international cooperation. Viewed in this light the distinctive patterns of European and East Asian political practice and their concomitant forms of institutional development become more comprehensible. International institution building and cooperation is neither teleological nor simply a technical exercise, but shaped by a range of national political and economic structures that permit as well as constrain possible outcomes. Without the dense infrastructural framework of policy communities and non-state agencies that exist in the EU, a liberal political rationality and government at a distance would be both less feasible and less attractive. The political rationality approach suggests that reproducing such a mode of governance in the APEC region will not simply be a daunting technical problem, therefore, but will also face a more direct political challenge from political forces and economic actors whose position is dependent upon existing patterns of state authority.

Notes

1. This is a revised version of a paper of a paper presented at a Conference on non state actors in the global system held at the University of Warwick, and a seminar the University of Allborg. Our thanks to Johannes Schmidt and Jacques Hersh for providing the opportunity for a stimulating discussion at Aalborg. We also wish to acknowledge the constructive and valuable comments from Richard Stubbs and Ann Firth. The standard disclaimer applies.
2. Indeed, the works of Foucault (e.g., in Burchell et al. 1991), Pocock (1985), and Hirschman (1977), albeit from different perspectives, have noted that the growth of commerce posed a unique set of

- problems for traditional conceptions of sovereignty (Foucault) or republican citizenship (Pocock).
3. For a survey of the social market tradition see Thompson (1992).
 4. Barry's work is an impressive attempt to use the political rationality approach for the understanding of harmonization. He recognises—and he is the first to do so—the importance of the role played by 'direction at a distance' in the European region. However, our argument differs from his in that we emphasise the role played by non-state actors in the regulation of the market, and the importance of juridification of interests in the constitution of the market.
 5. For survey of these committees see Joerges & Neyer 1997).

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